

By Joe Davidson, Published: December 12

If, as Republicans say, a small tax increase on millionaires and billionaires is “class warfare,” how should we characterize a continuing barrage of proposals aimed at another class of people — the federal workforce?

The latest in a series of GOP proposals targeting this class of taxpaying Americans would help pay for a Social Security payroll tax reduction by extending the current two-year federal base pay freeze for 12 months and making workers pay more toward their retirement annuities.

Ironically, about a fifth of federal employees would not benefit from the payroll tax “holiday” because they are under the Civil Service Retirement System. Because that system does not include Social Security, these employees do not pay that tax but rather pay all their contributions into the federal retirement fund. So they would get a double whammy: They would see no tax reduction as others would, yet they would pay for others to benefit from the tax cut.

“I really am sick of federal employees becoming an all-purpose package that Republicans take off the shelf” anytime they want to find a source of money, said Del. Eleanor Holmes Norton (D-D.C.). “Federal workers, for sure, are willing to make their contribution,” she added, noting they already have.

The two-year freeze that ends next December is taking \$60 billion, over 10 years, out of the pockets of federal workers. The federal workforce will sacrifice more than that as trillions of dollars in agency budget reductions over the next decade inevitably result in staff reductions and probably other personnel-related cutbacks in areas such as training.

“Federal employees are already experiencing the effects of a two-year pay freeze,” said Rep. Steny H. Hoyer (D-Md.), a vocal supporter of federal workers, “and it is not appropriate to call

on them once again to sacrifice while not asking everyone else to contribute their fair share.”

Republicans don’t see it that way.

“The American taxpayer cannot afford federal retirement and wage costs, long term,” said Rep. Dennis A. Ross (R-Fla.), chairman of the House subcommittee on the federal workforce. “It isn’t ideology, it is reality.”

The reality is the Republican plan would take money away from federal workers rather than increasing spending power in the economy, which is the purpose of the tax holiday.

In addition to extending the freeze, the GOP plan, similar to an Obama administration proposal, would increase employee pension contributions — by 1.5 percent over three years, starting in 2013. Also like the plan advanced by the White House, the Republican proposal would kill a special retirement supplement that is paid in lieu of Social Security for those in the Federal Employee Retirement System. This would apply to those who retire before age 62, except for the relatively few workers with a mandatory retirement age such as law enforcement officers. The change would affect FERS employees retiring in 2013 or later.

Another major point in the Republican plan is the creation of another retirement program for federal workers through the proposed Securing Annuities for Federal Employees Act of 2011. This program would apply to employees hired in 2013 or later who do not have at least five years of prior federal service.

Those under the “secure annuity” system would pay 4 percent of salary toward their federal retirement benefits instead of the 0.8 percent that current FERS employees pay. Like FERS employees, they also would pay regular Social Security taxes. Joseph A. Beaudoin, president of the National Active and Retired Federal Employees Association, said this amounts to a “new payroll tax on federal worker salaries.”

Under the proposed program, those employees also would have their retirement benefits calculated on their highest five consecutive years of salary rather than the highest three, and

the multiplier in the annuity formula would drop to 0.7 percent per year of service from 1 percent.

The net effect would be to reduce their future benefits substantially.

“These changes, in both the multiplier and the average salary calculations, result in an annuity for new employees that is approximately 33 percent less than it is now,” according to an analysis by the National Treasury Employees Union. “A federal worker making \$50,000 in the last year before retiring now would see an annuity of between \$15,000 and \$16,500. With these changes, that annuity would be about \$10,140.”

Republicans make no apologies for taking money from federal employees.

“Federal workers enjoy a generous defined-benefit pension plan,” said Rep. Darrell Issa (R-Calif.), chairman of the House Oversight and Government Reform Committee. “Because the federal government finances its excess spending through debt, federal pensions have never faced the same budget pressure that has made these plans almost nonexistent in the private sector and has forced state and local governments to scale back benefits and discuss switching to more sustainable defined-contribution plans.”

When the office of House Speaker John A. Boehner (R-Ohio) blogged about the GOP plan, readers posted a range of comments. Mark Butler spoke for many of his colleagues with this posting:

“Extending the pay freeze for federal workers to pay for the rest of America’s tax cut is getting more painful for federal workers. . . . I’ve been a fed for the last three years and I’m here because the economy drove me here from the unemployment line. I took a \$65K pay cut and you folks say I didn’t feel the pain that the rest of America felt? Did my house somehow keep the same value?

“Freezing federal workers’ pay is a political gimmick and we really expect better out of all of you.”

